



THE INTERIM

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THE INTERIM

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THE INTERIM is a monthly newsletter that reports on the interim activities of legislative committees, including the Legislative Council, the Environmental Quality Council, the Legislative Finance Committee, the Legislative Audit Committee, and interim legislative committees and subcommittees staffed by the Legislative Services Division. Information about the committees, including meeting schedules, agendas, and reports, is found at <http://www.leg.mt.gov>. Follow the "Committees" link or the "Interims" link to the relevant committee. The newsletter is posted on the legislative branch website on the first of each month (follow the "Publications" link).

ENERGY AND TELECOMMUNICATIONS COMMITTEE

Committee to chart its own course...The Energy and Telecommunications Interim Committee is charting its course for the next 16 months, deciding whether to tackle topics ranging from carbon sequestration to public power.

The ETIC meets in Helena on Tuesday, July 10 at 8:30 a.m. in Room 102 of the Capitol. On the agenda is a discussion of the committee's work plan and a presentation by Public Service Commission Chairman Greg Jergeson. The ETIC also will elect presiding officers.

While Legislative Council did not assign any studies to the ETIC this interim, committee members have been working on several study ideas for consideration at the July meeting, including a study of carbon sequestration. Carbon dioxide was the topic of at least six bills and two proposed study resolutions considered during the 2007 legislative session, but none of those bills or resolutions were approved.

House Bill 25, enacted last session, undoes parts of the electric utility restructuring laws enacted in 1997. The legislation includes a carbon sequestration component. Until the state or federal government has adopted statewide standards for the capture and sequestration of CO₂, the PSC may not approve an electrical generation facility primarily fueled by coal unless a minimum of 50 percent of the CO₂ produced by the facility is captured and sequestered. Natural gas plants approved by the PSC must also include cost-effective carbon offsets.

The committee may examine the prospects of public power in Montana. With the PSC's recommendation to reject Babcock & Brown Infrastructure of Australia's proposed buyout of NorthWestern Energy, a consortium of five Montana cities that previously sought to buy NorthWestern and turn it into a publicly-owned utility may take another look at the sale.

Committee members have also suggested evaluating Montana's energy transmission systems. The costs and savings of further developing wind resources across the state is another topic the committee could review.

At the July meeting, committee members will discuss their ideas for study topics and decide which studies, if any, to take on.

Public Service Commission report ...Jergeson will discuss PSC matters pertinent to the committee and is expected to review the rule making the commission will undertake in the coming months. With the enactment of HB 25, the PSC will propose rules in three different areas. It expects to simultaneously take on the resource planning and procurement rules and the filing requirements pursuant to the preapproval process. The carbon management rules then will be reviewed and proposed.

Agenda and reports available...The agenda, draft work plan, and other staff reports are available on the committee's webpage at http://leg.mt.gov/css/committees/interim/2007_2008/energy_telecom/default.asp. For more information about the committee contact Sonja Nowakowski at snowakowski@mt.gov or (406) 444-3078.

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WATER POLICY COMMITTEE

New interim committee to examine water policy...In the past, water policy was part of the work of the legislative Environmental Quality Council. But the 2007 Legislature passed HB 304 which, for this interim, created the Water Policy Interim Committee that will conduct a detailed analysis of water quantity, quality, and use in Montana.

Committee to meet in Dillon...The first meeting of the Water Policy Committee is scheduled for July 10 and 11 in Dillon at the University of Montana--Western, Swysgood Technology Center Great Room starting at 10 a.m. on July 10.

In addition to administrative matters, the committee will be touring the Beaverhead Valley to discuss local water use and water issues. The second day of the meeting will involve a discussion of current water law and case law, surface water/ground water in Montana, alternatives for management of water in Montana, alternatives for applying the use of mitigation, augmentation, and aquifer recharge in Montana as well as an update on the case study being conducted by the Montana Bureau of Mines and Geology on surface water/ground water in closed basins.

Information available on the Internet...A draft copy of work plan along with proposed meeting dates and staff memos are available on the committee's webpage at http://leg.mt.gov/css/lepo/2007_2008/water_policy/default.asp.

For more information, contact Krista Lee Evans, committee staff, at (406) 444-1640 or kevans@mt.gov

LEGISLATIVE FINANCE COMMITTEE

Committee organizes for the 2007-08 interim...The Legislative Finance Committee met for the first time this interim on June 18. The agenda and staff reports are available on the Legislative Fiscal Division website at <http://www.leg.mt.gov/css/fiscal/default.asp>. You can contact Clayton Schenck, director, LFD, for more information at cschenck@mt.gov or at (406) 444-2986.

The committee elected officers, reviewed its statutory responsibilities, and considered a work plan for the interim.

Committee officers, meeting schedule...The committee elected Sen. Trudi Schmidt as chair, Rep. Rick Ripley as vice chair, and Rep. Jon Sesso as secretary.

The committee plans to meet on Oct. 9-10 and Dec. 6-7, 2007, and March 6-7, June 5-6, Oct. 9-10, and Nov. 18, 2008.

Fiscal report available in July...Schenck told the committee that publication of the 2009 biennium fiscal report has been delayed because of the May special session. The

report, published in four volumes, provides detailed analysis of legislative actions during the 2007 regular and special sessions affecting agency budgets, revenue estimates, and changes in revenue. Volume 1 provides an overview of legislative actions and will be mailed to legislators by early July.

Volume 2 presents revenue estimates, and Volumes 3 and 4 describe agency budgets. For additional information contact the LFD office at (406) 444-2986.

LFC discusses interim work plan...The committee prioritized and approved its interim work plan. The committee will study:

- state budget and appropriations processes. Because of the large number of potential components of this study, a subcommittee will determine project scope and report to the full committee at the October meeting.
- creation of a state government budget model to provide longer term projections of revenue and expenditure growth; and
- the "graying" of Montana and the potential long-term impacts on both revenue and expenditures.

A subcommittee will examine federal Medicaid reimbursements for tribal services, and the management advisory work group will conduct a review of the variety of staff services provided by the LFD.

Other projects...The committee also discussed a number of other projects that LFD staff will take on as time allows.

These projects are in addition to many major and minor projects and duties that staff routinely perform during an interim, including revenue estimates, analysis of the governor's budget, monitoring budget implementation and funding sources, reviewing budget amendments, and preparations for a special session. For more information contact Clayton Schenck.

EDUCATION AND LOCAL GOVERNMENT COMMITTEE: HB 49 SUBCOMMITTEE

Subcommittee on special purpose districts...However the Education and Local Government Committee decides to design its interim at the June 29 organizational meeting, among its required duties is the establishment of a subcommittee to conduct a study of local government special purpose districts. Following discussions with the Montana Association of Counties, the 2005-06 ELG recognized that the inconsistencies found in statutes governing special purpose districts warranted further study. The committee requested a bill which, upon introduction, became HB 49.

The preamble for HB 49 describes the impetus for the study:

- WHEREAS, current laws governing special purpose districts are not uniform as to the creation, alteration, dissolution, right of protest, operation, funding, and structure of the districts; and
- WHEREAS, this absence of uniformity creates confusion and results in numerous bills being introduced each legislative session to address disparities, differences, and specific situations; and
- WHEREAS, a single set of statutes governing the creation, alteration, dissolution, right of protest, operation, funding, and structure of special purpose districts would simplify and streamline special purpose district processes.

A special purpose district authorized by law is an independent entity, organized under the auspices of a local government, either by petition of residents who live in a proposed district or by a governing body through a resolution or ordinance. Many have governing boards and all have the authority to assess fees on the residents of the district. Examples of special purpose districts include lighting districts, hospital districts, business improvement districts, water and sewer districts, park maintenance districts, multijurisdictional service districts, fire districts, street parking districts, and museum districts (a new addition with the enactment of SB 233 during the 2007 session).

Unlike study resolutions that request the assignment of particular topics to interim committees but do not become law or contain appropriations, HB 49 requires that the study be conducted by ELG in a specific manner and appropriates \$20,000 for that purpose. HB 49 requires that the study include:

- a comprehensive review of current law governing local government special purpose districts, including an inventory of all of the districts and the various processes provided in law specific to those districts;
- a determination of which special purpose districts should be included in the study and which should be excluded;
- consideration of the needs of cities and counties with regard to special purpose districts;
- consideration of the appropriateness of consolidating the processes for numerous special purpose districts into one statute or set of statutes; and
- any other aspect of special purpose districts that the committee determines should be addressed to achieve more consistency, clarity, and uniformity in special purpose district statutes.

Four members of ELG comprise the legislative component of the subcommittee. The additional members must be a county commissioner, a county clerk and recorder, a county treasurer, a city manager, a city commissioner or

town council member, and a town clerk. The members will be appointed by ELG's chair following the June 29 meeting after consulting with MACo and the Montana League of Cities and Towns.

Staff contact...For more information about the HB 49 subcommittee and study, contact Leanne Heisel at (406) 444-3593 or lheisel@mt.gov. The HB 49 subcommittee will also have its own webpage, which will be linked from ELG's webpage.

LAW AND JUSTICE COMMITTEE

Friday the 13th meeting scheduled...The Law and Justice Interim Committee will hold its first meeting of the interim Friday, July 13 at 8:30 a.m. in Room 102 of the Capitol. Agenda items will include background briefings on each of the committee's assigned studies and overviews from each agency that the committee is assigned to monitor. The committee will elect presiding officers and adopt study plans and an interim work schedule.

Committee duties...The LJIC is a joint bipartisan committee of the Legislature that meets between legislative sessions. The committee:

- monitors the activities of the Department of Corrections, the Department of Justice, the Office of State Public Defender, and the judicial branch;
- examines law and justice policies and conducts assigned studies; and
- makes recommendations to the Legislature.

The committee also reviews the administrative rules of assigned executive branch agencies.

Studies on the horizon...The Legislative Council assigned the following studies to the committee:

- SJR 24 study of prison population growth and alternative sentencing;
- HJR 26 study of mental health treatment in adult and juvenile corrections;
- HJR 50 study of precommitment psychiatric evaluations, including processes and costs; and
- SJR 6 study of the juvenile justice system.

All meetings of the committee are open to the public. Public comment on matters relevant to the committee's duties and responsibilities is welcome and scheduled on each meeting's agenda.

Electronic notices... Anyone interested in receiving regular email notices and updates on committee activities

may sign up for that service by going to the legislative branch website at <http://leg.mt.gov>. Click on "Committees" and follow the "Interim" link to the Law and Justice Committee. Meeting agendas, staff reports, and other material will be posted to the committee's webpage.

For more information about the committee, contact Sheri Heffelfinger at (406) 444-3596 or sheffelfinger@mt.gov.

STATE-TRIBAL RELATIONS COMMITTEE

Committee elects officers...The State-Tribal Relations Committee elected Sen. Frank Smith as presiding officer and Sen. Don Steinbeisser as vice presiding officer at the committee's organizational meeting June 15 in Helena.

Committee reviews legislation...As part of its work plan for this interim, the committee requested updates on legislation passed in the 2007 session that affects Indians. Updates will include HB 781 that requires law enforcement agencies to adopt policies on race-based traffic stops and HB 636 that prohibits using quotas for investigative stops, citations, or arrests in evaluating law enforcement officers.

Sen. Rick Laible also asked for a report on the status of gambling on Indian reservations. Last interim the State-Tribal Relations Committee requested a bill to expand Class III gambling on reservations (HB 146), but that bill died in the House Business and Labor Committee.

Committee reviews other topics...After hearing of problems faced by incarcerated Indians, the committee requested information on whether the Department of Corrections could help soon-to-be-released prisoners obtain their birth certificates or other documentation needed to obtain a photo identification card.

The committee also heard reports on economic development from Major Robinson of the Governor's Office of Indian Affairs and from Anna Whiting-Sorrell of the governor's office. William Tuss of Vantage West in Hot Springs reported on activities to alleviate poverty on the Flathead Reservation under a Northwest Area Foundation grant, including efforts to improve communication between the Sanders County Commission and the Confederated Salish and Kootenai Tribes. He also discussed renaming the Hot Springs High School mascot and establishing a satellite campus in Hot Springs. Tracy King, a member of the Fort Belknap Tribal Council, urged the committee to deal with racism.

Visits and work plan...The committee asked staff to contact the Apsáalooke Nation (Crow Tribe) and the Confederated Salish and Kootenai Tribes about visits to these reservations this interim.

Because the committee has no assigned studies, members suggested that executive branch agencies report on tribal and urban Indian concerns, including the status of

water compacts, the transferability of tribal college credits to the Montana university system, the determination of eligibility for Medicaid on tribal reservations, Indian unemployment, the state's role in verifying whether Indian-made articles are counterfeit, and other on-going concerns.

More information.... To read the minutes from this meeting when they become available or obtain contact information, visit the committee webpage or contact Pat Murdo, research analyst, at (406) 444-3594 or pmurdo@mt.gov.

STATE ADMINISTRATION AND VETERANS' AFFAIRS COMMITTEE

First meeting...The State Administration and Veterans' Affairs Committee met on June 21. The program supervisor of the Commissioner of Political Practices, the respective directors of the Departments of Administration and Military Affairs, the respective executive directors of the Teachers' Retirement System and the Public Employees' Retirement Administration, and the administrator of the Veterans' Affairs Division of DMA briefed the committee on their activities. Each presenter introduced key staff of the agency and identified current and emerging issues that are demanding the agency's attention.

Committee approves study plans...The committee revised and adopted study plans for HJR 46 (election reform) and HJR 59 (retirement system reform) and a meeting schedule for the remainder of the interim. One of the key components of the committee's interim work plan is to hear and act upon potential legislation regarding revisions to the state's retirement plans at the April 2008 meeting. Hearing retirement-related proposals earlier in the interim will provide the committee a better opportunity to review and comment on the proposals as required by 5-5-228, MCA. ~~The~~ committee's meeting schedule and work plan are posted on the committee's webpage.

Committee elects officers...The committee elected Rep. Franke Wilmer as presiding officer and Rep. Gary MacLaren as vice presiding officer.

Next meeting in September...The committee is scheduled to meet on Friday, Sept. 7 in Helena. If you have questions about the committee, contact Dave Bohyer, committee staff, at dbohyer@mt.gov or (406) 444-3064.

LEGISLATIVE COUNCIL

Council elects officers and approves budget items...The Legislative Council is the administrative committee of the Legislative Services Division. It is a twelve member committee composed of legislative leadership and other legislative appointees. The council met on June 21 and

elected Rep. Bob Bergren as presiding officer and Rep. Dennis Himmelberger as vice-presiding officer.

The council adopted several budget items, including the biennium operating budget for the division and for interim committees and activities. It authorized the use of the legislative branch retirement termination fund account, authorized the transfer of the remaining 2005 feed bill to the IT reserve account, and approved the 2007 session laws price of \$95 per set.

Strategic planning scheduled for September..The council will meet again in late September for a strategic planning retreat for its interim work plan and will also make a decision on the appropriation item for a mental health study. During the interim, the council may review legislative rules over the interim and look at interim committee rules and procedures and the future of TVMT.

For more information about the Legislative Council, please contact Susan Byorth Fox at (406) 444-3066 or sfox@mt.gov. Email sign up for meeting notices and materials are available on the Legislative Council's webpage.

Participation in NCSL, CSG and other legislature-

related meetings...Legislative Services Division is often asked about who is going to participate in national or regional meetings of legislative organizations. Legislators who are planning on attending a national or regional meeting and who are willing to share that information, please send an email to Susan Fox at sfox@mt.gov and we'll keep that information available for those who request it.

REVISED INTERIM APPOINTMENTS

The Senate Committee on Committees made the following changes to legislative appointments:

- Sen. Jim Elliott replaces Sen. Dave Wanzonried on the Water Policy Interim Committee;
 - Sen. Rick Laible replaces Sen. John Esp on the Children, Families, Health, and Human Services Committee; and
 - Sen. Trudi Schmidt replaces Sen. Kim Gillan on the Economic Development Advisory Council.
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THE BACK PAGE

A STROLL DOWN MEMORY LANE--HIGHLIGHTS OF TAX LEGISLATION CONSIDERED DURING THE 2007 LEGISLATIVE SESSIONS

By Jeff Martin
Legislative Research Analyst

INTRODUCTION

In the past, legislative staff has prepared a bill summary of all state and local tax legislation that was enacted during a legislative session. The summary included the title of the bill; sections amended and enacted; and effective dates, applicability dates, and termination dates, as applicable. Because of the May special session and the abrupt beginning of the 2007-08 interim, that summary is being postponed, perhaps indefinitely. The purpose of this article is to highlight some of the tax-related legislation considered by the Legislature in 2007, including proposals that made it to the governor's desk and those that bit the dust somewhere in the process.

Although the House and Senate Tax Committees seemed, at least to one observer (me), extraordinarily busy during the regular session, the number of bills considered by each committee was on par with the number considered during the 2005 legislative session. The House Taxation Committee considered 126 bills (House and Senate bills) in 2005 and 127 bills in 2007. The slightly more lethargic Senate Taxation Committee considered 113 bills in 2005 and 103 in 2007. Some bills assigned to the tax committees were not tax-related bills, and other standing committees considered tax-related bills.

Overall, 154 tax-related bills and two study resolutions were introduced during the regular session. Not all of these bills would have raised or lowered taxes, but may have revised some aspect of the administration, allocation, or collection of a tax or extended the termination date of a particular provision. For example, House Bill No. 682 (died) would have revised, under certain conditions, the entity responsible for paying the wholesale energy transaction tax to the Department of Revenue. The amount of tax paid to the state would not have changed, just the entity paying the tax to the department.

Thirty-four of these bills were signed into law, and the two study resolutions were filed with the secretary of state. The table below shows the fate of the tax bills.

Bill Status	House Bills	Senate Bills
Chapter Number Assigned	18	16
Died in House Committee	47	19
Died in Senate Committee	11	24
Died in the House	5	2
Died in the Senate	3	5
Vetoed override failed ¹	1	3
Total	85	69

The number of tax bills contained in the table should be viewed somewhat cautiously. For example, Senate Bill No. 210 (died) would have revised the individual income tax credit for energy-conserving expenditures by increasing the amount of the credit and allowing taxpayers whose income was below a certain level to carry the credit forward. It also would have provided a credit to certain businesses that made investments in energy conservation in residential rental buildings. The bill draft request was to revise energy conservation and weatherization laws; as such the request did not get a tax subject classification.

House Bill No. 40 (Ch. 367, L. 2007) is also not included in the table. This legislation revises "The Big Screen in the Big Sky Act" by removing the \$1 million limitation on the amount of credits allowed and standardizing the application fee for tax credits. It also increases the respective credits allowed for employing Montana labor and for making qualified Montana expenditures. In addition, it requires that all purchases made by a taxpayer in connection with a state-certified production be paid in full before the credit for qualifying expenditures may be claimed.

Not all of the bills in the table were considered by the taxation committees. For example, Senate Bill No. 16 (Ch. 82, L. 2007), the legislative referendum to extend the six-mill university system levy until 2019 was requested by the Education and Local Government Interim Committee and considered by the education standing committees.

TAX COMPLIANCE MEASURES

Numerous proposals were introduced that dealt with tax compliance matters.

Several of the proposals would have provided for income tax withholding on certain transactions. House Bill No. 74 (died) and Senate Bill No. 439 (Ch. 468, L. 2007) provided for withholding on natural resource royalty payments. House Bill No. 108 (died) would have provided for withholding on pensions, annuities, and certain deferred income.

¹By poll of the Legislature after adjournment.

Withholding for certain real estate transactions was included in Senate Bill No. 220. That measure would have also provided for the adoption of certain Multistate Tax Commission model acts, including reportable transactions, compilation of state tax return data, and a tax evasion transaction voluntary compliance program. As amended, the bill would also have exempted from property taxation the first \$80,000 of market value of class eight business equipment and items of personal property with a market value of less than \$100.

House Bill No. 680 (Ch. 327, L. 2007) allows the Department of Revenue to enter into contracts with out-of-state entities for out-of-state collections of taxes, fees, and other debt owed the state when the department determines that the amount collected will likely exceed the cost of collection.

PROPERTY TAXATION

House Bill No. 529 (died), as it left the House of Representatives, would have reduced the tax rate on class eight business equipment from 3 percent to 2 percent and would have increased the class eight property tax exemption from an aggregate of \$20,000 to the first \$100,000 of market value. Local governments and tax increment finance districts would have been reimbursed through the entitlement share payment, and school districts would have been reimbursed through school district block grants.

The Senate removed the property tax rate reduction and the increase in the exemption amount. Instead, property tax relief would have been tied to a provision in the Senate version of House Bill No. 833 that would have increased the class eight property tax exemption to the first \$80,000 of market value. (See below for a discussion of legislative "morphing".)

Senate Bill No. 539 (died) would have revised laws relating to property tax appeals, including procedures for protesting taxes, by centrally assessed property owners and certain industrial property owners. It would have created a property tax protest risk management account that would have allowed local governments opting into the program to receive payment from the state for most property taxes paid under protest by centrally assessed property taxpayers and by certain industrial property taxpayers. If the state lost a property tax appeal, the state would be responsible for paying back the protested taxes to the taxpayer.

House Bill No. 469 (vetoed) would have clarified that property owned by commercial mobile radio service providers would be classified as property class four commercial property (taxed at 4 percent of market value) and class eight business equipment (taxed at 3 percent of market value). Based on a legislative audit, the Department of Revenue determined that this type of property should be centrally assessed and classified as class thirteen property (taxed at 6 percent of market value).

A FEW SIDE TRAILS

The Legislature considered a variety of tax relief and tax incentive measures during the session. The Legislature also revised the tax credits for movie and television productions in the state and provided incentives for certain kinds of energy development in the May special session.

House Bill No. 240 (Ch. 375, L. 2007) provides a refundable credit for lodging facilities that provide lodging for people displaced from their homes because of domestic violence.

House Bill No. 490 (Ch. 320, L. 2007) provides a \$1,000 credit for the costs for adopting a child in the year the adoption is final. The credit may be carried forward for five years.

House Bill No. 289 (died) would have provided a refundable earned income tax credit equal to 20% of the federal credit. Senate Bill No. 400 (died), would have allowed a refundable tax credit equal to 5% (15% as introduced) of the federal credit.

In addition to House Bill No. 210, a few other proposals would have expanded the credit for energy conserving expenditures under 15-32-109, MCA.

Senate Bill No. 281 (Ch. 509, L. 2007) allows married taxpayers who file separate Montana tax returns to use federal determinations of adjusted gross income reported on federal joint returns in determining adjusted gross income for certain income items. Previously, married taxpayers who filed a federal joint return and separate Montana returns were required to follow IRS rules for married taxpayers filing separately in determining federal adjusted gross income. Married taxpayers can now use federal joint return determinations for capital loss deductions, passive and rental income losses, deductions for individual retirement contributions, deductions for interest paid for a qualified education loan, and deductions for qualified tuition payments and related expenses.

House Bill No. 166 (Ch. 168, L. 2007), modified the individual and corporation income tax credits for depreciable property used for the production, blending, or storage of biodiesel or biolubricant. A taxpayer may now claim the credit in the 2 tax years before a facility begins crushing oil seed, begins producing biodiesel or biolubricant, or begins blending biodiesel; previously the credit had to be claimed in the tax year that the facility began operation. In addition, the taxpayer may carry the credit forward for 7 years. The legislation also extended the duration of the credits by 5 years, from December 31, 2009 to December 31, 2014.

Not infrequently, the Legislature may put a termination date in a bill (sunset provision) in order to review the effectiveness of a piece of legislation sometime in the future. Again not infrequently, the Legislature will extend the termination date at the appropriate time. During the 2007 session, the Legislature actually repealed a termination date. As

introduced, Senate Bill No. 88 (Ch. 113, L. 2007) would have extended the termination date related to the allocation of the lodging facility use tax (\$400,000 a year) to the Montana heritage preservation and development account from July 1, 2007, to July 1, 2011. Instead, the Legislature repealed the termination date, so the allocation will be made indefinitely.

NOW YOU SEE IT, NOW YOU DON'T

A legislative proposal with the phrase "generally revise" or similar language in the title of the bill is susceptible to being "morphed" into something altogether different. That metamorphosis notably occurred in two tax bills.

House Bill No. 833, introduced late in the legislative session, was requested as a bill to revise laws relating to taxation. It would have provided an individual income tax credit for the amount property taxes paid associated with the 95 mills for school equalization levies on \$20,000 of market value of a taxpayer's principal residence times a relief multiple. Based on the relief multiple of 5, the amount of the credit would have amounted to about \$195. The bill would also have bumped the individual income tax exemption amounts from \$1,900 (unadjusted for inflation) to \$2,560, or 80 percent of the federal exemption amount.

The bill moved to the House floor on April 4, missing the April 3 revenue transmittal date. Both the House and Senate suspended rules to move the bill on.

The Senate had its own ideas of what revising laws relating to taxation should be. The Senate removed the tax credit and the personal exemption increase and consolidated several other proposals into a single bill. The House did not buy off on these changes and the bill died.

The House accomplished a similar feat with Senate Bill No. 220. The House Taxation Committee adopted a substitute bill that would have included property tax incentives for renewable energy, the tax credit and increase in the personal exemption amount contained in HB 833, an inflation adjustment for the deduction of federal income taxes, and a partial severance tax abatement for certain coal production. The bill died on the House floor.

IT AIN'T OVER TILL IT'S OVER

The Legislature adjourned on April 27 without approving a budget for the operation of state government. On May 7, the governor called the Legislature into special session to begin May 10. The primary purpose of the special session was to adopt a general appropriation bill, but the governor's call also contained other items of unfinished business including funding of capital projects and information technology capital projects, school funding, tax relief and tax compliance measures, and property tax incentives for new investments in renewable energy, new technology energy, and clean coal energy.

Nine tax bills were introduced during the special session,

with several of those bills being presented to joint hearings of the House and Senate taxation committees.

House Bill No. 5 would have revived several tax compliance and tax relief measures that were considered during the regular session. Some of the tax compliance measures included the following:

- the Multistate Tax Commission Model Act on reportable transactions and the model act for a tax evasion transaction voluntary compliance program;
- withholding for pensions, annuities, and deferred income and for the gain from the sale or exchange of certain real estate;
- extending from 3 years to 5 years the statute of limitations for the assessment, collection, or refund of corporation license taxes.

The tax relief measures included the following:

- a \$400 property tax rebate for property taxes paid on a principal residence;
- a 2-year refundable renters' income tax credit as a proxy for property taxes included in rent payments;
- a refundable credit for property taxes paid on \$20,000 of market value of a principal residence attributable to the 95-mill school equalization levies;
- an increase in the class eight business equipment property tax exemption to the first \$65,000.

Other property tax provisions included exempting personal property with a market value of less than \$100; exempting for 10 years 50 percent of the market value for new rural telecommunications property, and clarifying that commercial mobile radio service property is centrally assessed.

House Bill No. 3 and Senate Bill No. 1 were introduced to provide property tax incentives for the development of renewable energy and other energy-related property. These proposals were variations to Senate Bill No. 562 considered by the Legislature in the regular session.

The proposals included property tax abatements (Senate Bill No. 1 contained a longer abatement period) and lower property tax rates. Both bills revised class fourteen property to include certain new technology facilities and transmission lines and created a new class of property for certain pipelines and carbon dioxide equipment and facilities. Each bill contained a certification procedure (not identical) for property tax abatements and property classification.

Senate Bill No. 1 created a new class of property for certain direct-current converter station property and established a partial tax abatement for coal produced for certain new technology facilities. House Bill No. 3 included a property tax exemption for land adjacent to transmission lines of certain

design capacity constructed after January 1, 2007.

House Bill No. 3 (Ch. 2, Sp. L. May 2007) became law. It incorporated the new class of property for direct-current converter station property and the definition of ethanol made from cellulose or other "nonfoodstuff" materials that were contained in Senate Bill No. 1. It also extended the total property tax abatement period to 19 years (up from 14 years in the introduced version), compared with 24 years in Senate Bill No. 1.

In the waning days of the special session (if a 5-day session can have waning days), three additional tax-related bills were introduced.

House Bill No. 9 (Ch. 6, Sp. L. May 2007) provides a \$400 property tax rebate and an income tax credit for the amount property taxes paid associated with the 95 mills for school equalization levies on \$20,000 of market value of a taxpayer's principal residence times the relief multiple.

The relief multiple in the legislation is 0. However, if the unaudited general fund revenue received in fiscal year 2007 exceeds \$1,802,000,000,² for each \$1,000,000 greater than \$1,802,000,000, the relief multiple must increase by 0.1 for tax year 2007 only. The legislation also directs the Revenue and Transportation Interim Committee to determine if a change in the relief multiple is justified, based upon actual and projected revenue and spending and any other appropriate factors. If the Committee determines that a change is justified, the Committee is directed to request a bill draft to change the relief multiple.

House Bill No. 10 would have increased the class eight business equipment tax exemption to the first \$80,000 of market value and would have provided a reimbursement to local governments, tax increment financing districts, school districts, and the Montana university system for lost property tax revenue.

Senate Bill No. 5 would have provided tax relief contained in other bills by using certain tax compliance measures to offset the "cost" of the tax relief.

The Legislature considered other tax-related measures during the special session. House Bill No. 8 would have phased out the business equipment tax over a 3-year period,

while House Bill No. 7 would have distributed state general fund surpluses over a prescribed threshold (the amount of general fund ending balance that is in excess of 6 percent of audited revenue for a fiscal year) to taxpayers through a reduction in state equalization property tax levies and would have distributed the remainder, if any, to individual income taxpayers on a pro rata basis. Senate Bill No. 3 would have created an education trust account to assist in funding Montana's public schools funded by revenue raised by changing the tax treatment of real estate investment trusts. Each of these measures died somewhere in the process.

TAX STUDIES

The Legislature passed two resolutions to study taxation. House Joint Resolution No. 61 requested a study of the linkage between state and federal income taxes and Senate Joint Resolution No. 31 requested a study of taxation and school funding. Both of those studies were assigned to the Revenue and Transportation Interim Committee. In addition House Bill No. 488 (Ch. 382, L. 2007) directs RTIC to study the reappraisal of agricultural and forest land and residential and commercial land and improvements. New values for these properties will go into effect on January 1, 2009. A bill to require a study of tax reform (Senate Bill No. 231) and a bill to require a study of protested taxes (House Bill No. 826) both failed.

END OF THE PATH

This selective summary briefly highlights the types of tax-related proposals that were considered during the 2007 regular session and the May 2007 special session. Some other proposals included reductions in income tax rates, increases in exemption and deduction amounts, expansion of existing tax credits, renter credits or rebates, credits for individuals or businesses, or both, for health care costs, and several proposals that affected local governments, including matters related to mill levy elections and tax administration.

Just a shade over 22 percent of the tax-related proposals were enacted into law. This relative low success rate is indicative of the policy differences that existed in the last session.

A cynical reader of the "morphing" discussion may throw up his or her hands in despair of the legislative process. However, this Legislature did not invent the concept of turning one bill into another to achieve a policy goal. That process has been used, sometimes successfully, many times by the Legislature in the past.

²This amount is 2.27% above the House Joint Resolution No. 2 fiscal year 2007 general fund revenue estimate.



INTERIM CALENDAR

UNLESS OTHERWISE SPECIFIED, ALL ROOM DESIGNATIONS ARE IN THE CAPITOL

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
July 2007						
1	2	3	4	5	6	7
8	9	10 Water Policy Committee, Dillon, UM--Western, 10 a.m. Energy and Telecommunications Committee, Room 102, 8:30 a.m.	11 Water Policy Committee, Dillon, UM--Western, 8 a.m.	12	13 Law and Justice Committee, Room 102, 8:30 a.m.	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
August 2007						
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

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